METROPOLITAN
TRANSPORTATION
COMMISSION

Joseph P. Bort MetroCenter
101 Eighth Street
Oakland, CA 94607-4700
Tel: 510.464.7700
TDD/TTY: 510.464.7769
Fax: 510.464.7848

Memorandum

TO: Transit Finance Working Group DATE: October 7, 2009

FR: Mathew Adamo, Programming & Allocations

RE: DRAFT FY2010 –2019 SRTP Revenue Projections

This memorandum, and the accompanying attachments, contain draft 10-year projections of operating and capital revenue for transit operators in the San Francisco Bay Area for fiscal years 2009-10 through 2018-19. These projections were prepared in order to provide transit operators with an estimate of available revenue for the upcoming Short Range Transit Plan (SRTP) period.

The revenue sources included in the SRTP projections are the following:

- 1/4 cent county sales tax based Transportation Development Act (TDA) funds **(Attachment A-1)**
- AB1107, the 25 percent that MTC administers **(Attachment A-2)**
- State Transit Assistance (including Proposition 42) [Assuming a return in FY 2013-14 based on current state law] **(Attachments B-1, B-2, B-3)**
- Bridge toll revenue **(Attachment C)**
- Federal Formula funds **(Attachment D)**

Economic Overview

Until recently, sales tax revenue had been growing over the previous ten years at an average rate of about four percent per year, even taking into account the severe economic downturn that occurred in FYs 2001-02 through 2002-03. Beginning in FY 2006-07; however, higher fuel prices and the housing market crisis had a significant impact on taxable sales growth in the region. While fuel prices have fallen recently, the poor state of the financial sector has greatly compounded an already weak economic climate. General consensus is that although the current economic slump may bottom by FY 2009-10, there will not likely be a swift return to prosperity.

While it is impossible to know exactly what will happen in the coming months, optimistic predictions are that recovery will begin in mid-FY 2009-10, and that the current economic downturn will fall somewhere in between the last two recessions in terms of severity level. Table A below illustrates the average annual historic growth rates in TDA revenue over the last two major economic downturns—FYs 1991-1996 and FYs 2002-2006. In each of the downturns, it took about five years for TDA revenue to climb back up to where it would have been, if year-to-year generations followed long term trends in growth. The columns on the far right show the loss in revenue that was experienced in each of the counties at the peak of each downturn.

Table A: -- TDA Revenue Growth in Prior Economic Downturns

	Economic Downturn Periods		Peak of Downturn	
	FY 1991-1996	FY 2002-2006	FY 1991-92	FY 2001-02
Alameda	3.6%	0.7%	-5.0%	-8.1%
Contra Costa	3.1%	2.3%	-4.0%	-2.7%
Marin	2.3%	0.7%	-2.7%	-5.5%
Napa	3.2%	3.9%	-0.4%	-0.9%
San Francisco	2.9%	-0.6%	-7.1%	-17.1%
San Mateo	2.3%	-1.9%	-6.4%	-13.9%
Santa Clara	4.7%	-2.8%	-5.8%	-21.1%
Solano	3.9%	6.7%	-1.9%	4.8%
Sonoma	2.9%	2.3%	-2.9%	-3.5%
REGION TOTAL	**3.5%**	**-0.3%**	**-5.2%**	**-12.4%**

Comparison of SRTP to *Transportation 2035* Projections

SRTP projections for some fund sources differ significantly from those developed for the recently adopted Regional Transportation Plan (RTP) – *Transportation 2035*. Overall, the SRTP projections for the ten year period are approximately five percent lower than the RTP projections for the same fund sources over the same time period. The main reason for the difference is that the RTP is primarily a long-range planning document used to guide transportation policies and set transportation priorities in the region. The RTP revenue projections are appropriately robust in order to take advantage of revenue as it becomes available. On the other hand, the SRTP projections are used to guide transit operator budgets and are a required element for the near-term programming of state and federal funds. Therefore, the SRTP projections are appropriately more conservative, as near-term fluctuations in available revenue can have significant impacts on operator budgets, particularly when actual revenue falls short of estimates.

SRTP Forecast Methodology and Assumptions

TDA and AB1107 Revenues
(Attachments A-1, A-2)

TDA revenue for the initial year of our forecast, FY 2009-10, is based on an average of actual revenue received in FY 2007-08 and FY 2008-09. The remaining years of the SRTP forecast are based on the twenty year average TDA revenue growth rate by county, which is approximately four percent regionally. FY 2010-11 revenue is assumed to growth by half of the twenty year historical average growth rate, and the remaining eight years of the forecast are assumed to growth at the full rate. The distribution factors within each county are based on FY 2008-09 shares and held constant over the entire period.

To summarize, the forecast assumes that TDA revenues will decline further in FY 2009-10 but at a lower rate than in FY 2008-09. Beginning in FY 2010-11 TDA revenue will show slightly positive growth. For the remaining eight years of the forecast TDA revenue will continue to grow at a constant rate of approximately four percent per year.

AB1107:

The AB1107 estimate for the SRTP represents the twenty-five percent that MTC administers. Actual FY 2008-09 revenue was used as the base year. Weighted growth rates were calculated based on projected TDA revenue growth in Alameda, Contra Costa and San Francisco counties over the SRTP period.

County	FY 2008-09	% Share	FY 2009-10	FY 2010-11	Remaining 8 Years
Alameda	55,643,496	44.17%	-2.86%	1.68%	1.6%
Contra Costa	35,080,119	27.84%	-0.04%	2.01%	1.0%
San Francisco	35,265,622	27.99%	-0.10%	1.57%	1.0%
AB1107	**125,989,237**	**100.00%**	**-3.00%**	**1.8%**	**3.5%**

Bridge Toll Revenues
(Attachment C)

Estimates of the bridge toll revenue are based on MTC's bridge toll model that includes actual bridge traffic volume and the toll revenue updated as of FY2007-08. The model assumes zero traffic volume growth on the Bay Bridge for FY 2009-10 through FY 2012-13 and then half a percent growth for the remainder of the projection period. Traffic volume growth on all other six state-owned toll bridges was assumed to be half of a percent. As a reminder, AB 664 funds are used as local match for federal-funded capital replacement projects.

Federal Formula Funds
(Attachment D)

Our estimate of the FTA formula funds for FY 2009-10 are based on the FY 2008-09 actual FTA SAFETEA gross apportionments. The actual apportionments for each Bay Area jurisdiction in FY 2008-09 are increased at a two percent growth rate in order to arrive at the forecasted gross apportionment for FY 2009-10. For the remaining nine years of the SRTP forecast, we grow each jurisdiction's revenue at a four percent rate. Urbanized area shares of national program funds are based on FY 2008-09 actual apportionments and remain constant throughout the duration of the projection period. For Section 5307 funds, the region experienced approximately a five percent increase in total funding in FY 2008-09 over the previous fiscal year; however, the region's share of the nationwide funding level has been decreasing slightly over the last five years—mostly on account of the decline in the San Francisco urbanized area's share. The region also saw a slight increase in Section 5309 funds for FY 2008-09 of two percent over the previous fiscal year. Despite the fact that the San Francisco urbanized area's share of Section 5309 funding has been declining similar to its share of Section 5307 funds, the region's total share of nationwide Section 5309 funding has been increasing slightly over the last few years. The San Jose, Concord and Antioch urbanized area shares of nationwide Section 5309 funds have contributed to this increase.

State Transit Assistance
(Attachments B-1, B-2, B-3)

The STA portion of the SRTP forecast was produced to reflect current law. This forecast, however, does not reflect the California Transit Association's recent court victory, which protects STA funding.

In light of this, our STA revenue estimates begin in FY 2013-14, which is the year that those revenues are supposed to again be available to transit operators. State Transit Assistance (STA) program funding levels depend primarily on estimates of future diesel and gasoline price and consumption levels. Despite the recent collapse of fuel prices, it is unlikely that current price levels will persist over the long term. For the RTP projection of fuel-based revenues, MTC staff relied upon forecasts provided by the Legislative Analyst's Office

(LAO) which assumed that gas prices would decrease from their 2008 high by five percent and would then grow modestly for two to three years at about one percent before resuming growth of about five percent per year for the remainder of the RTP period. MTC has modified these assumptions for the SRTP estimates by updating the fuel price used in the base year of the projection to reflect the FY 2008-09 average from September 2008 through June 30, 2009. The assumptions for fuel price growth were also modified to reflect a two and a half percent annual growth rate through FY 2010-11, followed by a five percent growth rate each year for the remainder of the SRTP forecast. The modifications made to the fuel price growth assumptions were made to better reflect the magnitude of the fall in fuel prices. Fuel consumption rates are assumed to decline by one and a half percent for the first two years and then grow at one percent per year for remaining years of the forecast.

Proposition 42:

For the same reasons mentioned above, estimates of Proposition 42 revenue used to augment the STA program do not begin until FY 2013-14. The Proposition 42 revenue estimate is derived using the same assumptions regarding fuel price and consumption mentioned above. These estimates assume that the one percent sales tax increase will expire in FY 2010-11 and that voters will not approve the measures necessary to extend it further.

Spillover

As in previous SRTP estimates, MTC does not include revenue that may be received from the generation of “Spillover” in the forecasted revenue for the STA program. Since “Spillover” is not a protected source of funding and has been diverted—all or in part—in recent years to help fill gaps in the State budget, it is not a reliable source of revenue for public transportation. With the suspension of the STA program, until FY 2013-14, estimates of “Spillover” are inconsequential. After 2014; however, any “Spillover” generated would reduce the total revenue available for Proposition 42. In light of this we have also calculated the level of “Spillover” revenue that would be implied by our assumptions concerning fuel prices, fuel consumption, and sales tax revenue growth.

The chart below depicts the amount of “Spillover” that is implied, given the assumptions made concerning Prop 42, STA base revenue, and sales tax revenue.

Implied "Spillover"	
Fiscal Year	**Total "Spillover"**
2010	$ 692,862,078
2011	$ 661,482,107
2012	$ 417,225,613
2013	$ 470,513,545
2014	$ 528,026,876
2015	$ 590,057,306
2016	$ 656,915,489
2017	$ 728,932,239
2018	$ 806,459,788
2019	$ 889,873,143